Office of the Chief Investment Officer
of the Regents

University of California

I-1
Preliminary Investment Performance
Periods ending September 30, 2013

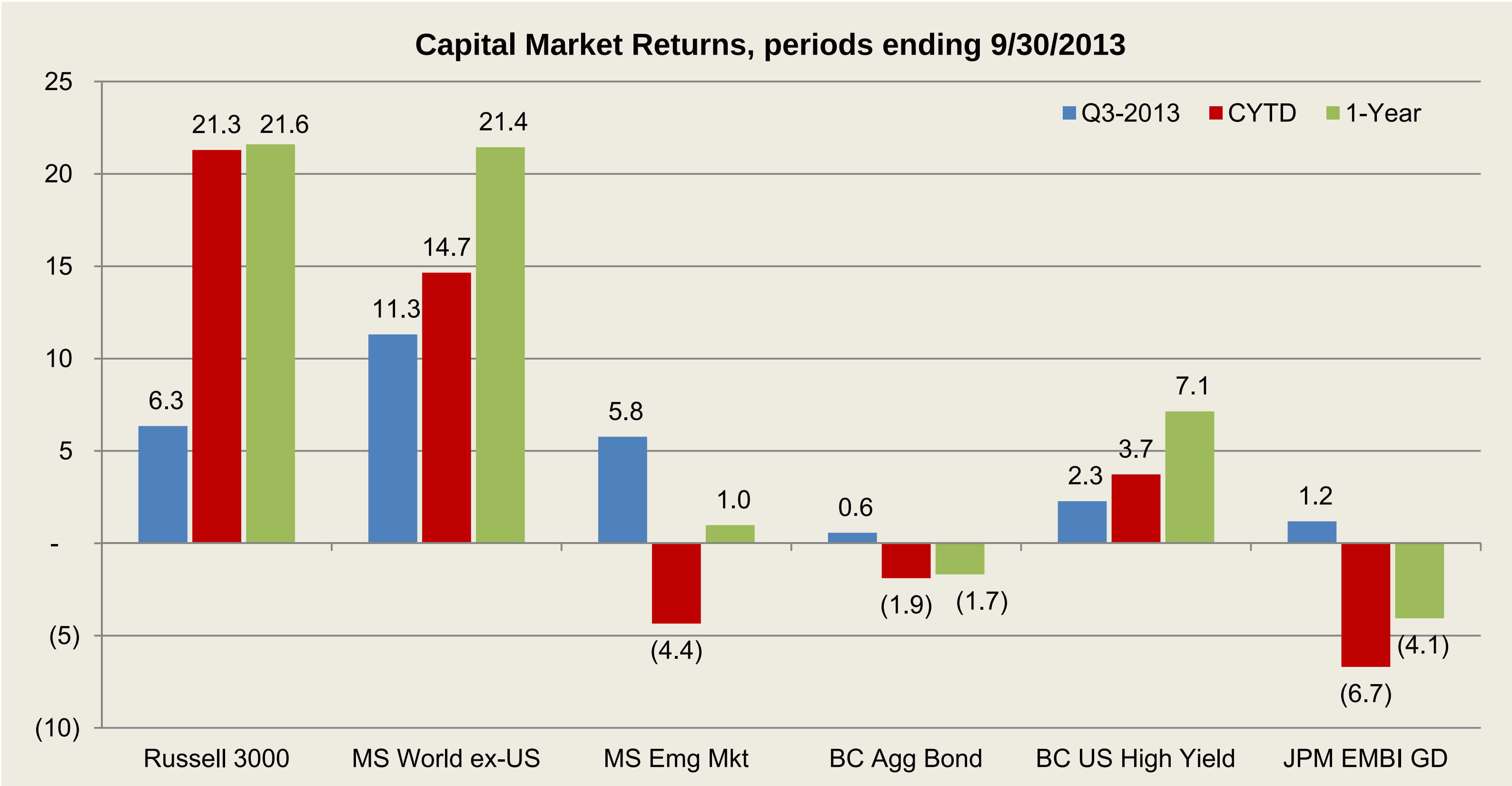
Committee on Investments/
Investment Advisory Group

November 5, 2013

Contents

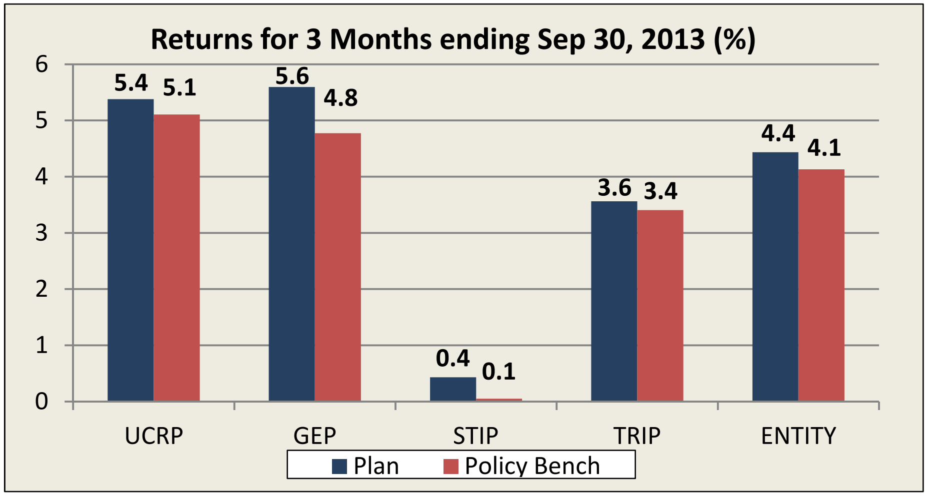
Market Overview: Equity and Fixed Income Returns

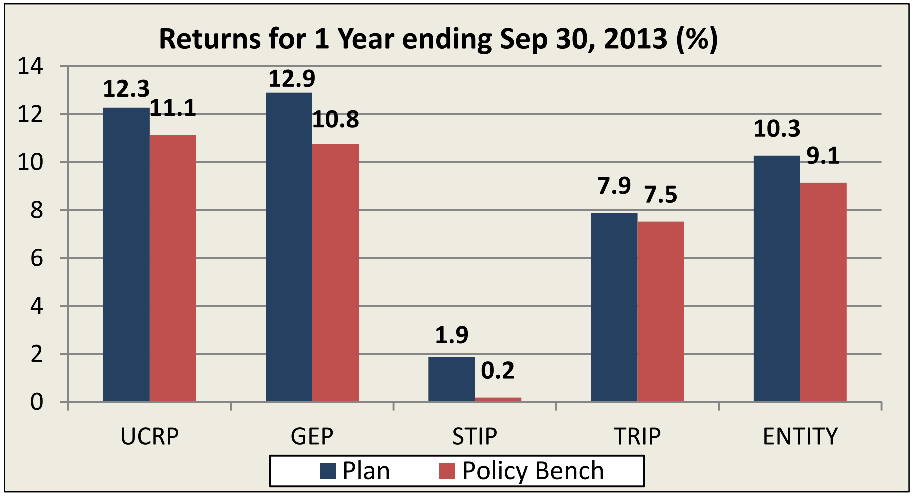
- **Risky assets outperformed during the quarter led by Non-U.S. Developed Equities as the MSCI World ex-U.S. Index surged 11.3%**
- **High yield gained 2.3% for the quarter while core fixed income assets saw a mild increase of 0.6%**



UC Performance: Quarter and One Year

- **All plan portfolios outpaced policy benchmarks**
- **For the quarter, UCRP outperformed by 0.3%, GEP outperformed by 0.8%, STIP outperformed by 0.3% and TRIP outperformed by 0.2%**
- **For the one year, UCRP outperformed by 1.2%, GEP outperformed by 2.1%, STIP outperformed by 1.7% and TRIP outperformed by 0.4%**
- **Gains within the plans were primarily a result of asset allocation and manager selection**





UCRP Asset Allocation

- **The primary active exposures for UCRP were:**
  - **Overweights in Equity and Real Estate**
  - **Underweights in Fixed Income, Private Equity, Cross Asset Class, and Real Assets**

Asset Class	UCRP $M as of Sep 30 2013	UCRP Actual Weight Sep 30 2013 (%)	UCRP Policy as of Sep 30 2013 (%)	Difference from Sept 30 Policy (%)	UCRP Long-Term Target as of Mar 1 2013 (%)	Sept 30 Lower Bound (%)	Sept 30 Upper Bound (%)
U.S. Equity	$11,446	24.35	23.75	0.60	15.00	18.75	28.75
Non-U.S. Developed Equity	7,944	16.90	16.00	0.90	13.50	11.00	21.00
Emerging Market Equity	3,521	7.49	6.75	0.74	11.00	4.75	8.75
Total Equity	**22,911**	**48.73**	**46.50**	**2.23**	**39.50**	**36.50**	**56.50**
U.S. Fixed Income	5,349	11.38	12.00	(0.62)	12.00	9.00	15.00
U.S. High Yield	1,401	2.98	2.50	0.48	2.50	1.50	3.50
Emerging Market Debt	1,013	2.15	2.50	(0.35)	2.50	1.50	3.50
TIPS	2,773	5.90	6.50	(0.60)	3.00	4.50	8.50
Total Fixed Income	**10,536**	**22.41**	**23.50**	**(1.09)**	**20.00**	**18.50**	**28.50**
Private Equity	3,249	6.91	7.75	(0.84)	8.00	4.75	10.75
Absolute Return	2,609	5.55	6.00	(0.45)	6.00	1.00	11.00
Cross Asset Class	1,326	2.82	3.50	(0.68)	8.00	1.50	5.50
Opportunistic Equity	2,524	5.37	5.00	0.37	8.50	2.00	8.00
Real Assets	981	2.09	3.00	(0.91)	3.00	2.00	4.00
Real Estate – Private	2,396	5.10	4.28	0.82	6.30	1.28	7.28
Real Estate – Public	221	0.47	0.48	(0.00)	0.70	0.18	0.78
Total Alternatives	**13,306**	**28.30**	**30.00**	**(1.70)**	**40.50**	**23.00**	**37.00**
Liquidity	260	0.55	0.00	0.55	0.00	0.00	10.00
TOTAL	**$47,013**	**100.00**	**100.00**	**0.00**	**100.00**		

GEP Asset Allocation

- **The primary active exposures for GEP were:**
  - **Overweights in Equity, Private Equity and Real Estate**
  - **Underweights in Fixed Income, Absolute Return and Cross Asset Class**

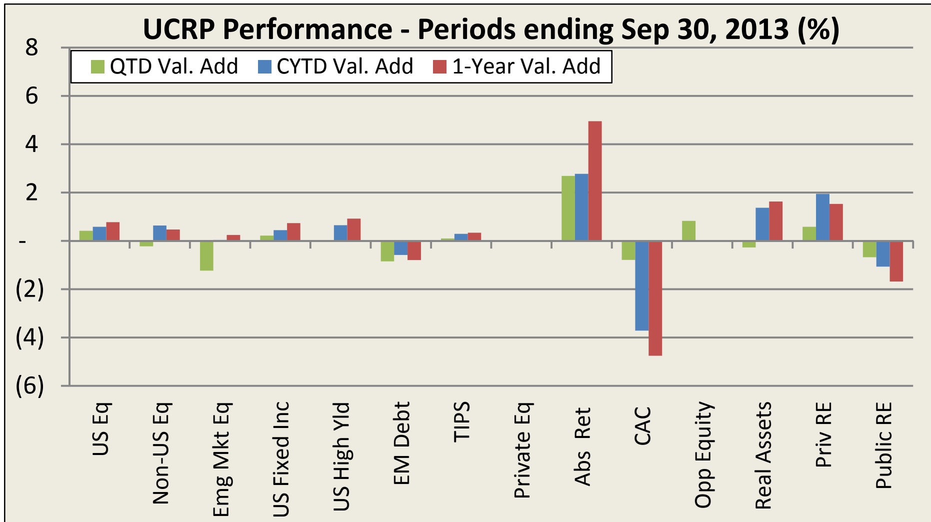
Asset Class	GEP $M as of Sep 30 2013	GEP Actual Weight Sep 30 2013 (%)	GEP Policy as of Sep 30 2013 (%)	Difference from Sept 30 Policy (%)	GEP Long-Term Target as of July 15 2012 (%)	Sept 30 Lower Bound (%)	Sept 30 Upper Bound (%)
U.S. Equity	$1,117	15.26	15.50	(0.24)	13.50	10.50	20.50
Non-U.S. Developed Equity	913	12.48	12.00	0.48	8.00	7.00	17.00
Emerging Market Equity	479	6.55	6.00	0.55	7.00	4.00	8.00
Total Equity	**2,509**	**34.28**	**33.50**	**0.78**	**28.50**	**23.50**	**43.50**
U.S. Fixed Income	288	3.93	5.00	(1.07)	5.00	2.00	8.00
U.S. High Yield	177	2.42	2.50	(0.08)	2.50	1.50	3.50
Emerging Market Debt	146	2.00	3.00	(1.00)	2.50	2.00	4.00
TIPS	153	2.09	2.50	(0.41)	2.50	0.50	4.50
Total Fixed Income	**764**	**10.44**	**13.00**	**(2.56)**	**12.50**	**8.00**	**18.00**
Private Equity	742	10.13	9.00	1.13	9.00	6.00	12.00
Absolute Return	1,648	22.52	23.50	(0.98)	23.50	18.50	28.50
Cross Asset Class	221	3.02	4.00	(0.98)	5.00	2.00	6.00
Opportunistic Equity	615	8.41	7.50	0.91	10.00	4.50	10.50
Real Assets	173	2.37	2.75	(0.38)	3.00	1.75	3.75
Real Estate - Private	539	7.37	6.08	1.30	7.65	3.08	9.08
Real Estate - Public	31	0.42	0.68	(0.25)	0.85	0.38	0.98
Total Alternatives	**3,969**	**54.24**	**53.50**	**0.74**	**59.00**	**38.50**	**68.50**
Liquidity	76	1.04	0.00	1.04	0.00	0.00	10.00
TOTAL	**$7,319**	**100.00**	**100.00**	**0.00**	**100.00**		

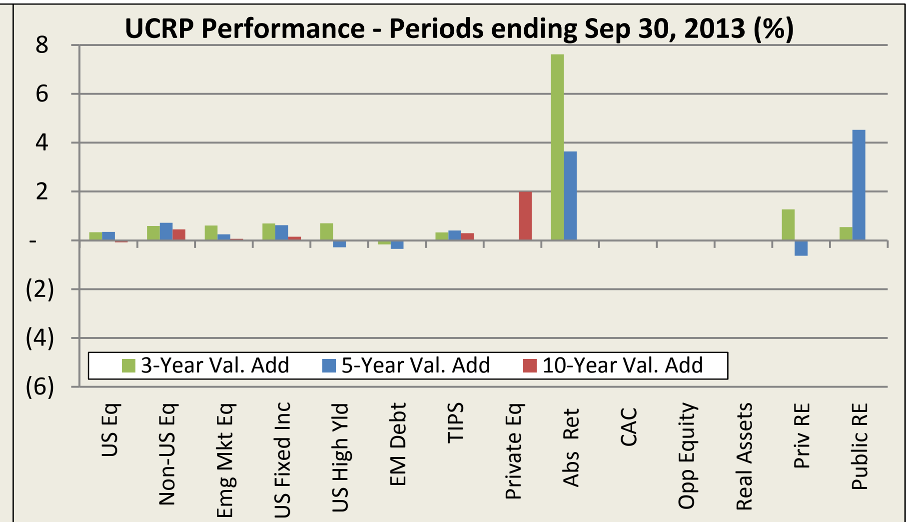
TRIP Asset Allocation

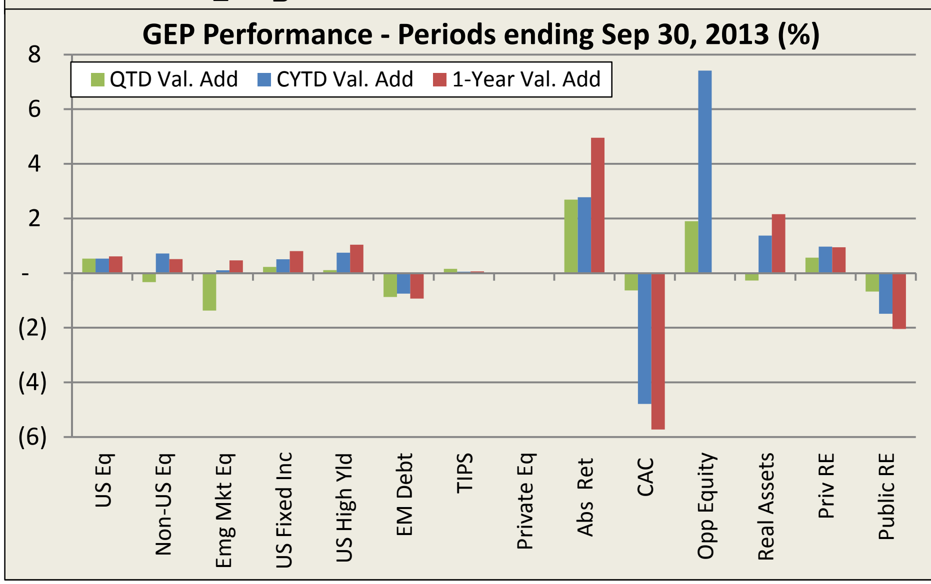
- **The portfolio transitioned to its new asset allocation during the quarter and its exposures at quarter end are below:**

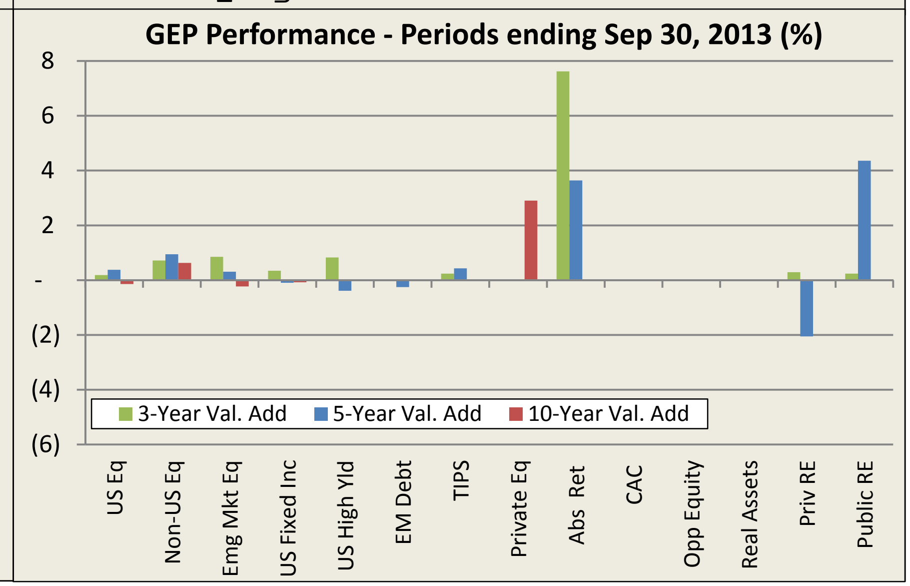
Asset Class	TRIP $M as of Sep 30 2013	TRIP Actual Weight Sep 30 2013 (%)	TRIP Policy as of Sep 30 2013 (%)	Difference from Sept 30 Policy (%)	TRIP Long-Term Target as of Aug 1 2013 (%)	Sept 30 Lower Bound (%)	Sept 30 Upper Bound (%)
U.S. Equity	$876	14.91	15.00	(0.09)	15.00	10.00	20.00
Non-U.S. Developed Equity	445	7.57	7.50	0.07	7.50	5.00	10.00
Emerging Market Equity	445	7.57	7.50	0.07	7.50	5.00	10.00
Opportunistic Equity	580	9.87	10.00	(0.13)	10.00	7.50	12.50
Real Estate - Public	588	10.00	10.00	0.00	10.00	7.50	12.50
Total Equity	**2,933**	**49.92**	**50.00**	**(0.08)**	**50.00**	**35.00**	**65.00**
U.S. Fixed Income	1,284	21.86	22.50	(0.64)	10.00	17.50	27.50
U.S. High Yield	295	5.01	5.00	0.01	5.00	2.50	7.50
Emerging Market Debt	287	4.88	5.00	(0.12)	5.00	2.50	7.50
Total Fixed Income	**1,865**	**31.75**	**32.50**	**(0.75)**	**20.00**	**22.50**	**42.50**
Absolute Return	403	6.86	7.00	(0.14)	10.00	4.50	9.50
Cross Asset Class	669	11.39	10.50	0.89	20.00	5.50	15.50
Total Alternatives	**1,072**	**18.25**	**17.50**	**0.75**	**30.00**	**10.00**	**25.00**
Liquidity	5	0.08	0.00	0.08	0.00	0.00	10.00
TOTAL	**$5,874**	**100.00**	**100.00**	**0.00**	**100.00**		

UC Asset Class Performance



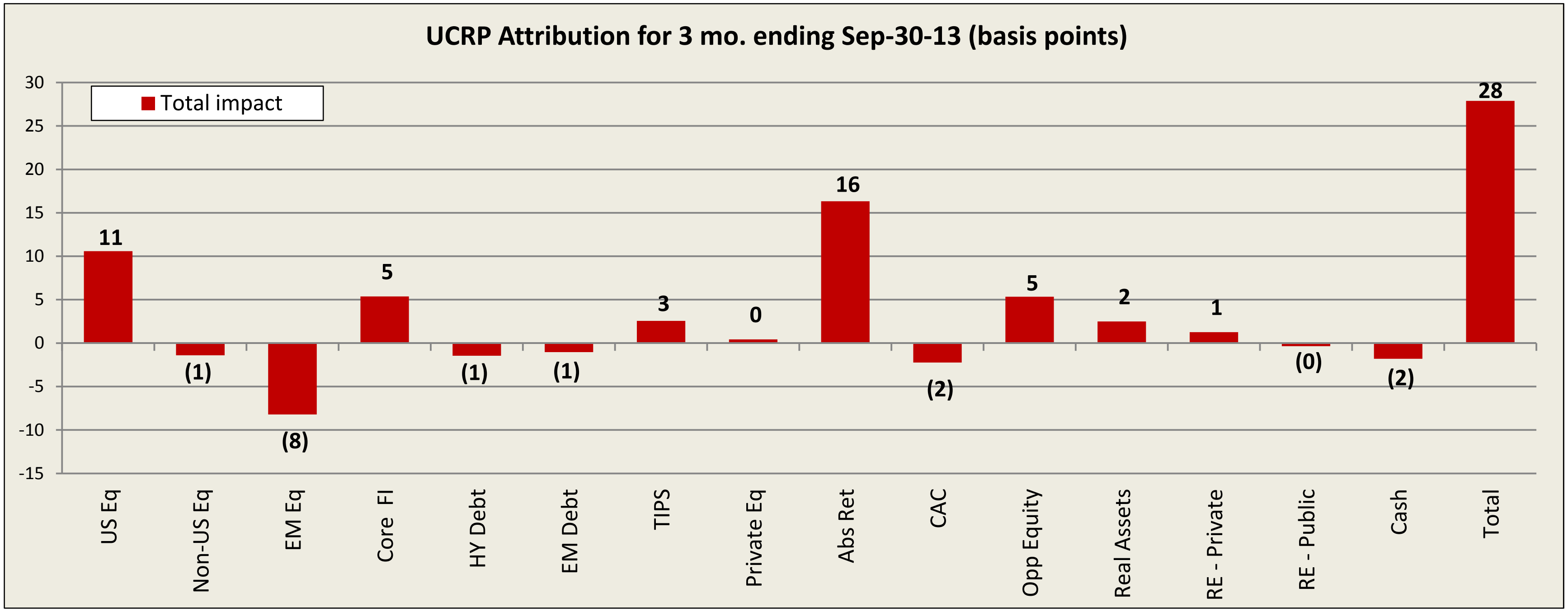






UCRP Performance Attribution for Quarter End

- **Asset selection within Absolute Return and U.S. Equity contributed most to the 28 bps of outperformance during the quarter**

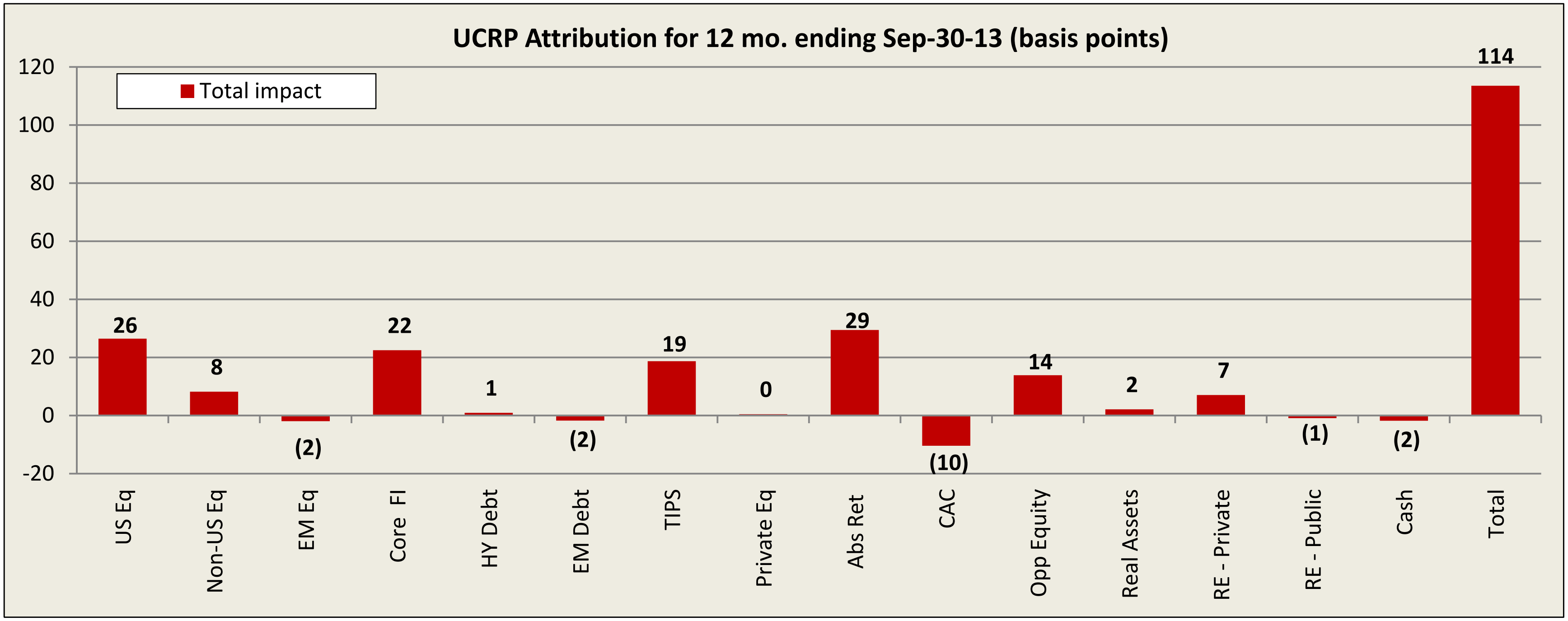


Values in basis points (bps)	US Eq	Non-US Eq	EM Eq	Core FI	HY Debt	EM Debt	TIPS	Private Eq	Abs Ret	CAC	Opp Equity	Real Assets	RE - Private	RE - Public	Cash	Total
Allocation*	1	2	(1)	3	(2)	1	2	0	1	1	1	3	(1)	(0)	(2)	10
Selection**	9	(4)	(8)	3	0	(2)	1	-	16	(3)	4	(1)	2	(0)	-	18
Total impact	11	(1)	(8)	5	(1)	(1)	3	0	16	(2)	5	2	1	(0)	(2)	28

*Allocation measures the impact of over/under weighting an asset class relative to its policy target
**Selection measures the impact of each asset class performing above/below its respective policy benchmark
The numbers may not add due to rounding.

UCRP Performance Attribution for Last 12 Months

- **Asset selection within nearly all asset classes contributed to the 114 bps of outperformance**

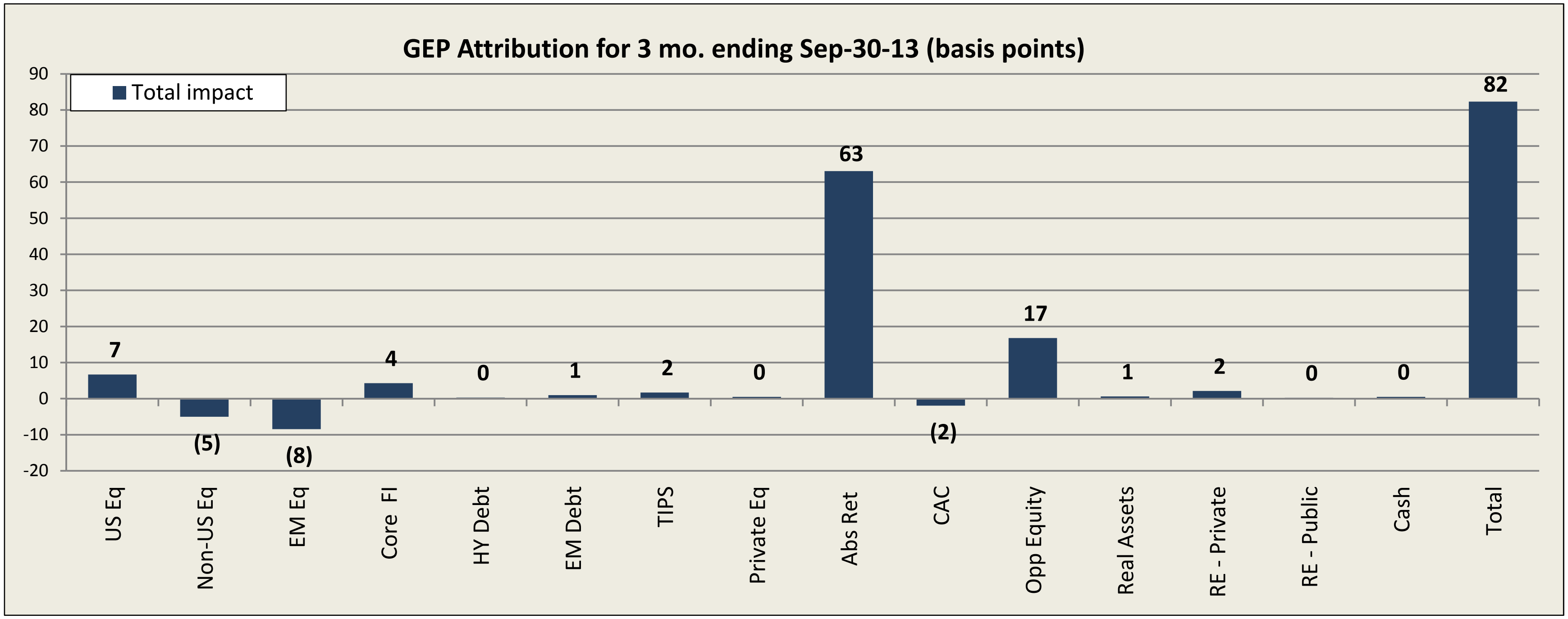


Values in basis points (bps)	US Eq	Non-US Eq	EM Eq	Core FI	HY Debt	EM Debt	TIPS	Private Eq	Abs Ret	CAC	Opp Equity	Real Assets	RE - Private	RE - Public	Cash	Total
Allocation*	11	3	(4)	13	(1)	0	16	0	1	0	2	(1)	1	(0)	(2)	42
Selection**	16	5	2	9	2	(2)	3	(0)	28	(11)	11	3	6	(1)	-	71
Total impact	26	8	(2)	22	1	(2)	19	0	29	(10)	14	2	7	(1)	(2)	114

***Allocation measures the impact of over/under weighting an asset class relative to its policy target**
****Selection measures the impact of each asset class performing above/below its respective policy benchmark**
The numbers may not add due to rounding.

GEP Performance Attribution for Quarter End

- **Asset selection within Absolute Return and Opportunistic Equity primarily contributed to the 82 bps of outperformance**

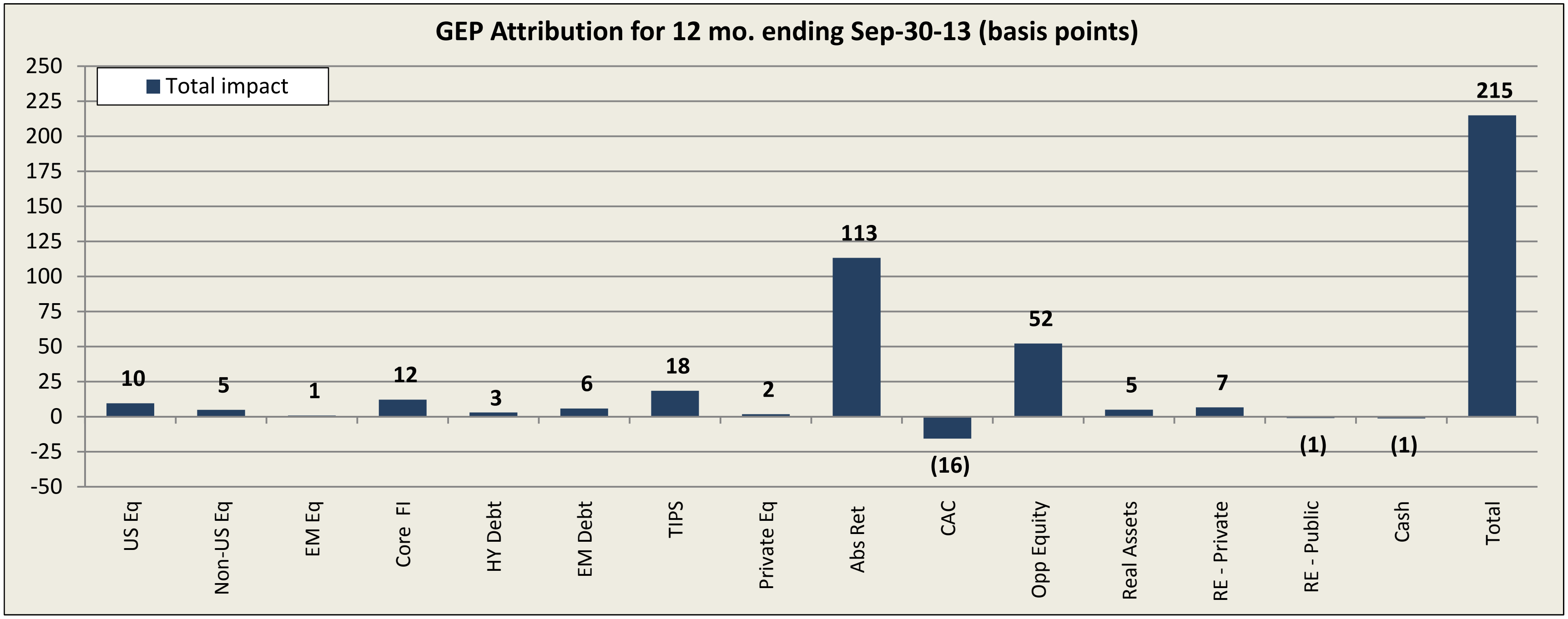


Values in basis points (bps)	US Eq	Non-US Eq	EM Eq	Core FI	HY Debt	EM Debt	TIPS	Private Eq	Abs Ret	CAC	Opp Equity	Real Assets	RE - Private	RE - Public	Cash	Total
Allocation*	(1)	(1)	(1)	3	0	4	1	0	1	1	3	1	(1)	1	0	11
Selection**	8	(4)	(8)	1	0	(3)	0	(0)	62	(2)	14	(1)	3	(0)	-	72
Total impact	7	(5)	(8)	4	0	1	2	0	63	(2)	17	1	2	0	0	82

***Allocation measures the impact of over/under weighting an asset class relative to its policy target**
****Selection measures the impact of each asset class performing above/below its respective policy benchmark**
The numbers may not add due to rounding.

GEP Performance Attribution for Last 12 Months

- **Asset selection within most asset classes contributed to the 215 bps of outperformance**

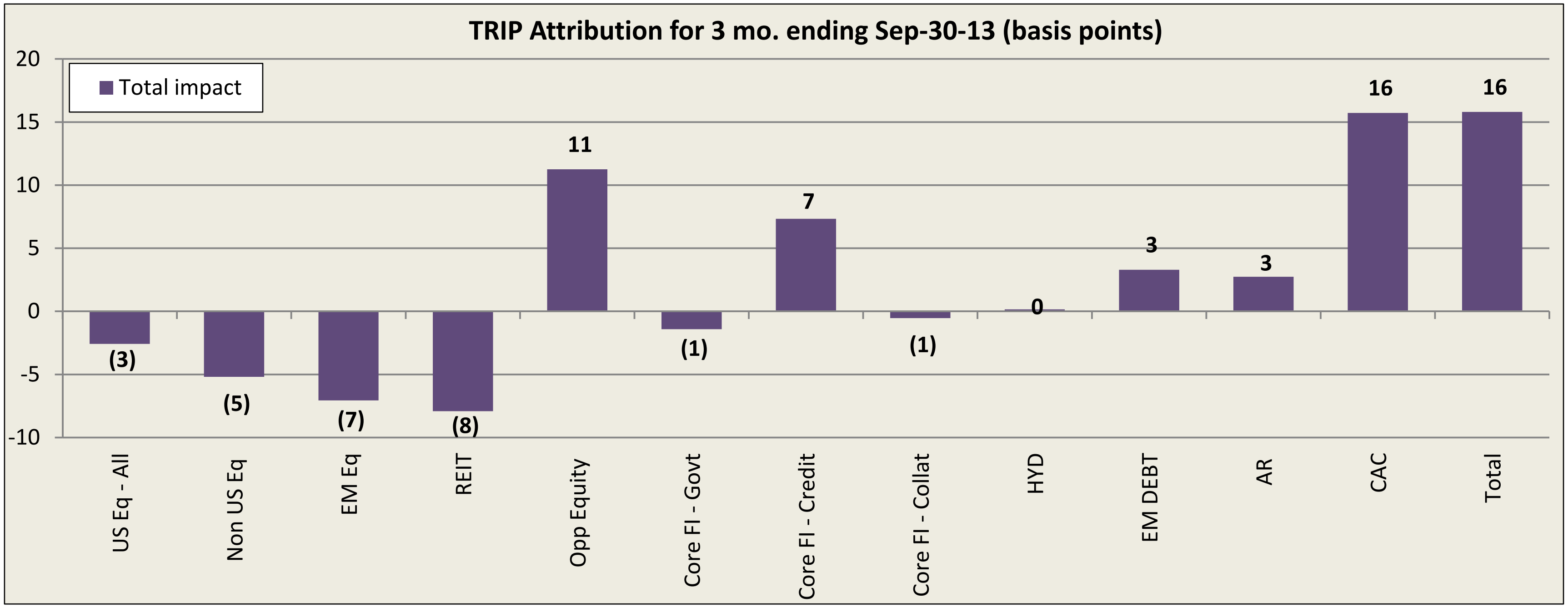


Values in basis points (bps)	US Eq	Non-US Eq	EM Eq	Core FI	HY Debt	EM Debt	TIPS	Private Eq	Abs Ret	CAC	Opp Equity	Real Assets	RE - Private	RE - Public	Cash	Total
Allocation*	1	1	(3)	8	1	9	18	2	3	(1)	6	2	1	0	(1)	46
Selection**	8	4	3	5	2	(3)	0	(0)	110	(14)	46	3	5	(1)	-	169
Total impact	10	5	1	12	3	6	18	2	113	(16)	52	5	7	(1)	(1)	215

***Allocation measures the impact of over/under weighting an asset class relative to its policy target**
****Selection measures the impact of each asset class performing above/below its respective policy benchmark**
The numbers may not add due to rounding.

TRIP Performance Attribution for Quarter End

- **Asset allocation and selection within the active asset classes contributed to the 16 bps of outperformance during the transition period**



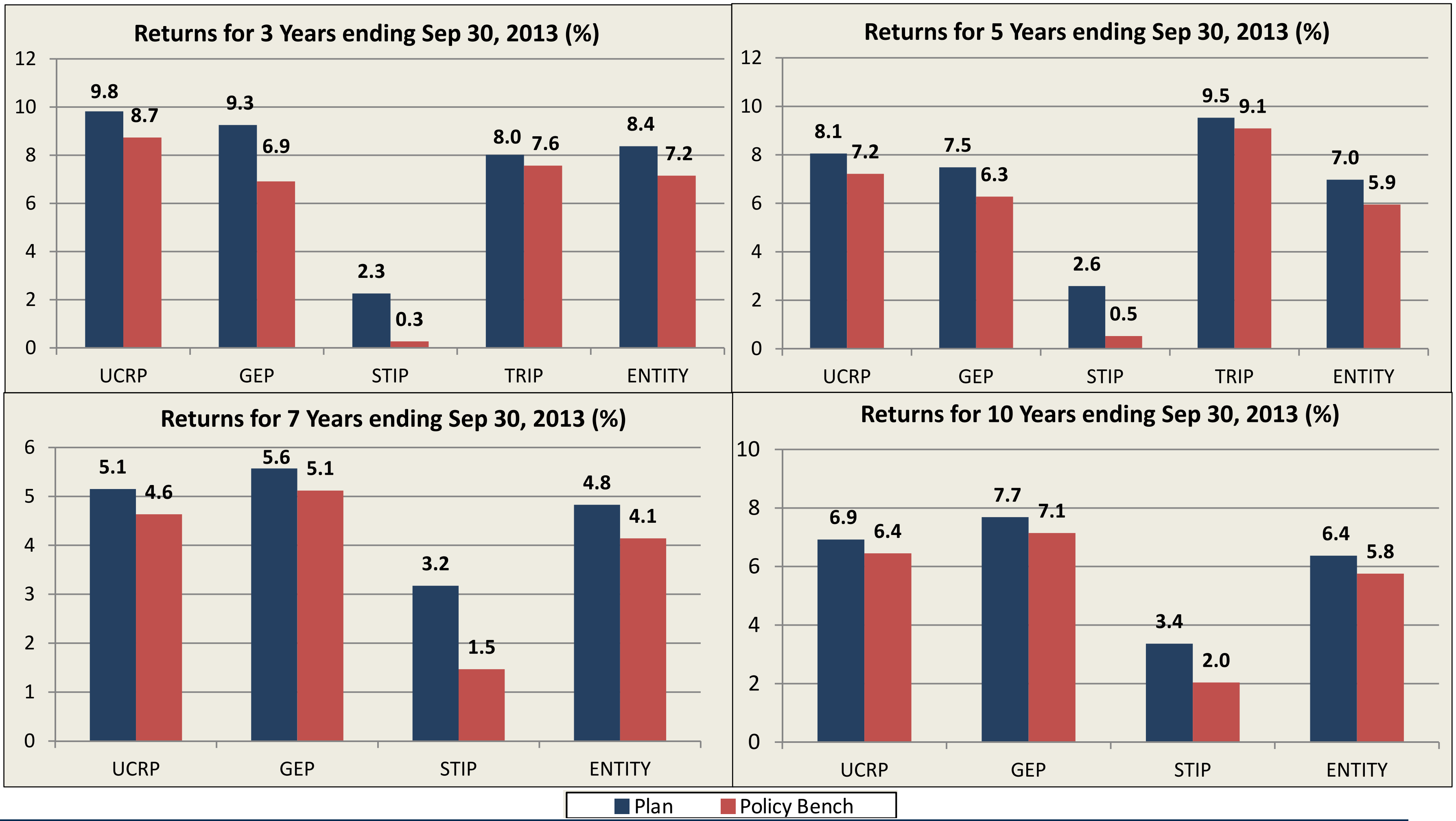
Values in basis points (bp)	US Eq - All	Non US Eq	EM Eq	REIT	Opp Equity	Core FI - Govt	Core FI - Credit	Core FI - Collat	HYD	EM DEBT	AR	CAC	Total
Allocation	(2)	(1)	(6)	(7)	3	(1)	6	1	0	3	4	(10)	(9)
Selection	(1)	(4)	(1)	(1)	9	(1)	1	(2)	0	-	(1)	25	25
Total impact	(3)	(5)	(7)	(8)	11	(1)	7	(1)	0	3	3	16	16

***Allocation measures the impact of over/under weighting an asset class relative to its policy target**
****Selection measures the impact of each asset class performing above/below its respective policy benchmark**
The numbers may not add due to rounding.

Appendix

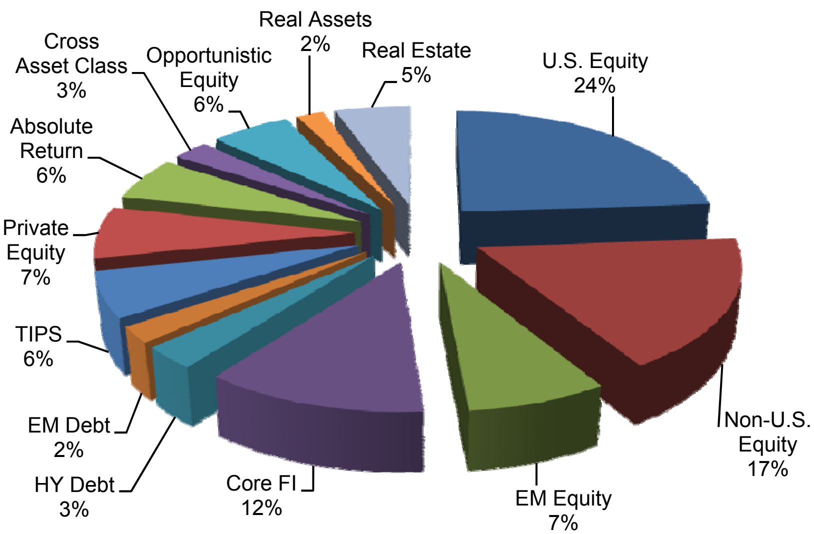
UC Performance: Longer Periods

- **Diversification and Asset Allocation are important to long-term performance**
- **All UC Plans outperformed their benchmarks across all periods**

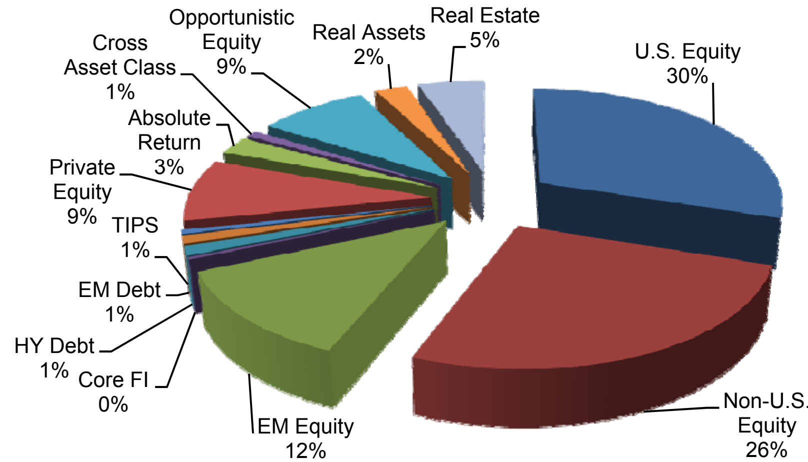


UCRP Risk Decomposition

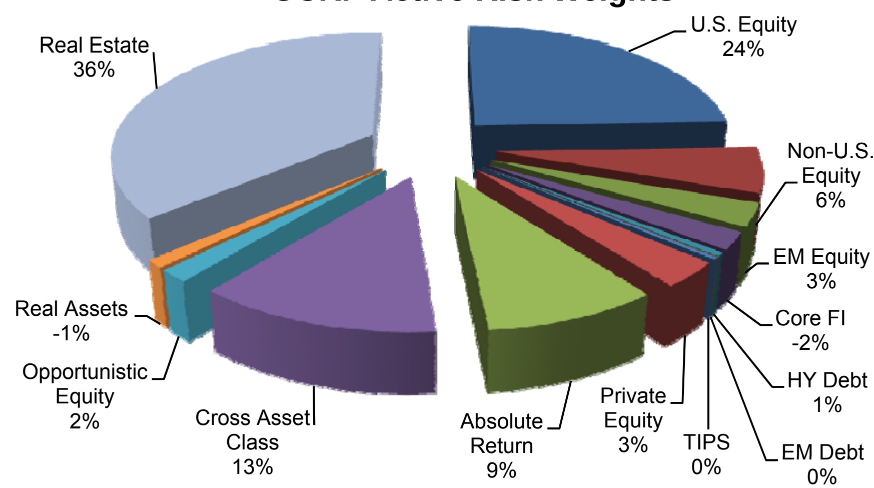
UCRP Asset Weights



UCRP Total Risk Weights



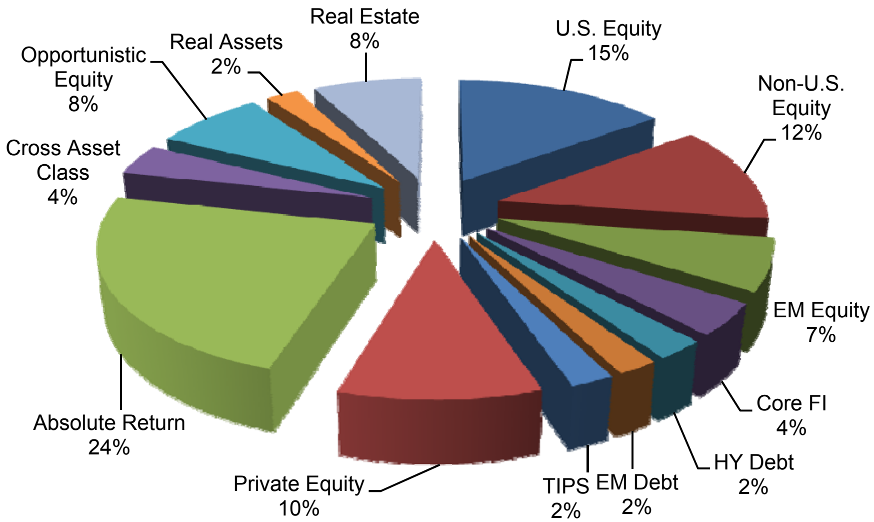
UCRP Active Risk Weights

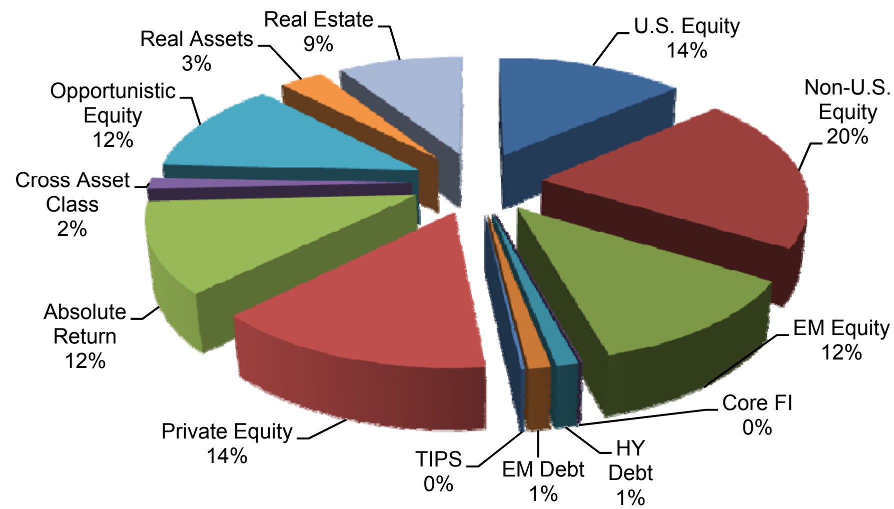


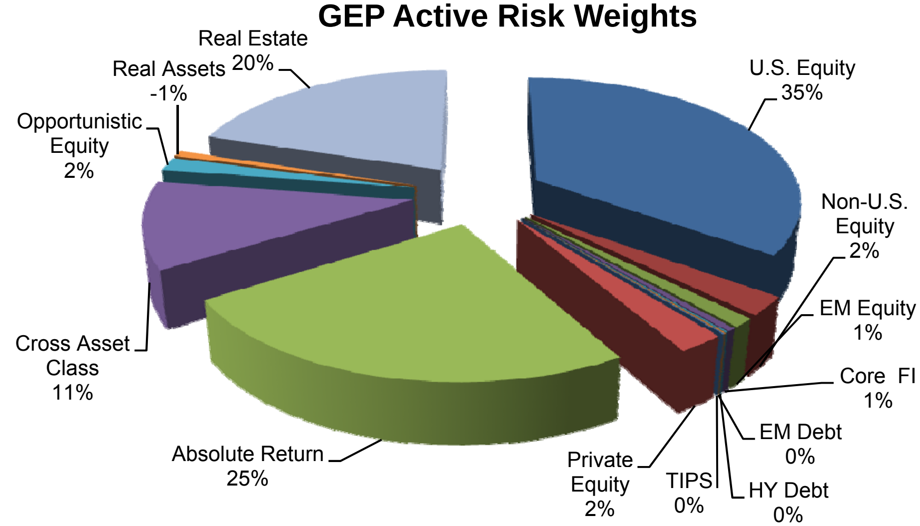
9/30/2013	UCRP		
Total Fund	BENCH. RISK	PORTFOLIO RISK	ACTIVE RISK
Total Fund	11.29	10.73	0.94
Risk Budget		11.68	3.00

Source: MSCI/Barra Inc. Risk weights are contribution to risk by asset class.

GEP Risk Decomposition



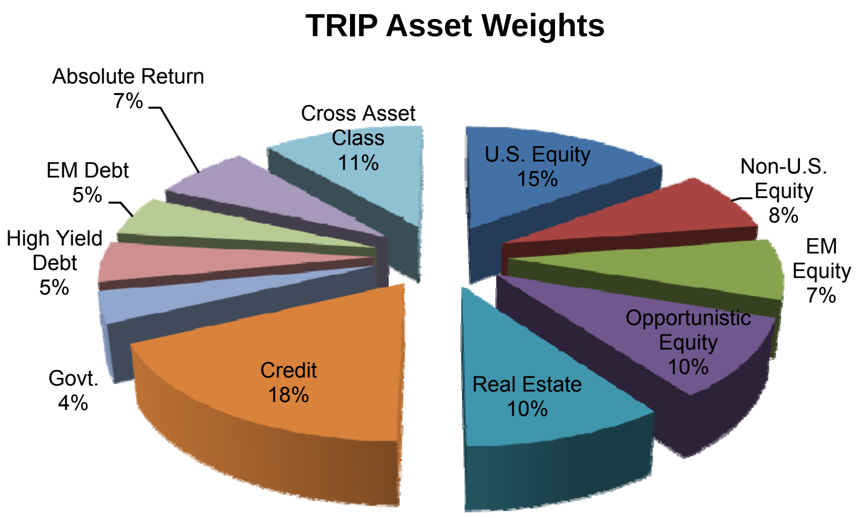


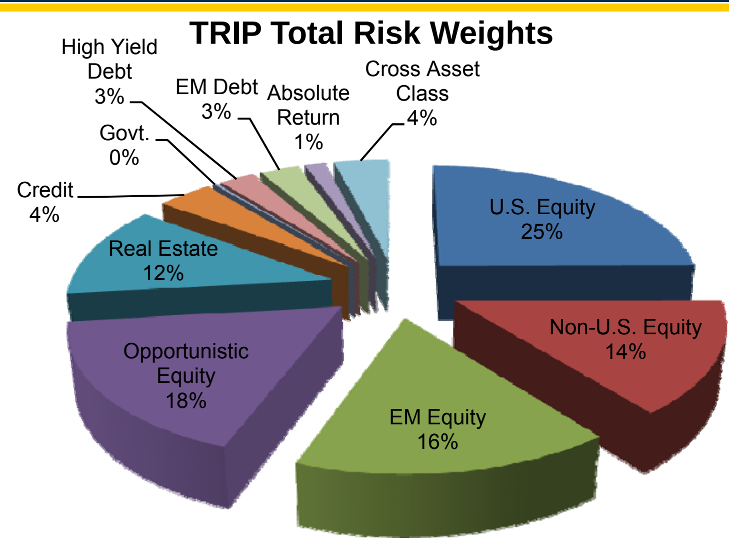


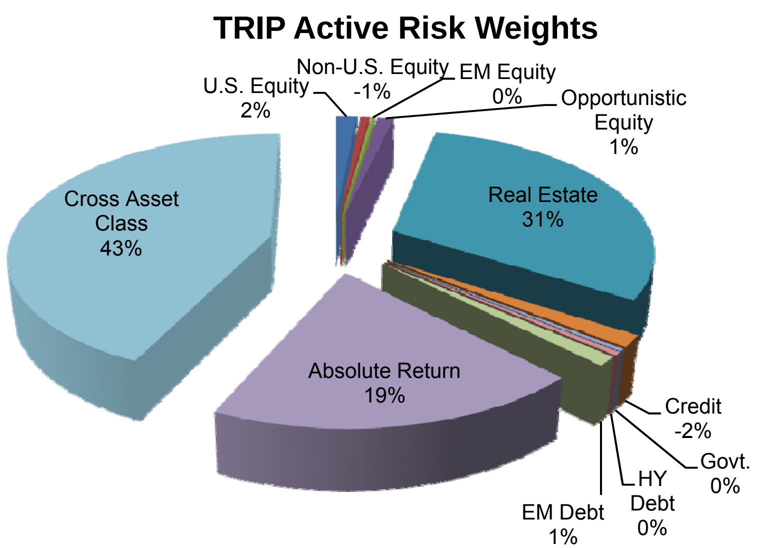
9/30/2013	GEP		
Total Fund	BENCH. RISK	PORTFOLIO RISK	ACTIVE RISK
Total Fund	11.17	9.65	2.05
Risk Budget		11.57	3.00

Source: MSCI/Barra Inc. Risk weights are contribution to risk by asset class.

TRIP Risk Decomposition







9/30/2013	TRIP		
Total Fund	BENCH. RISK	PORTFOLIO RISK	ACTIVE RISK
Total Fund	10.68	8.98	1.89
Risk Budget		11.09	3.00

Source: MSCI/Barra Inc. Risk weights are contribution to risk by asset class.